

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 3839 - HB 3837**

March 1, 2010

**SUMMARY OF BILL:** Expands the definition of “qualified distribution” as it applies to a TNInvestco and the Tennessee Small Business Investment Company Credit Act.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – Reduces annual qualified distributions to the General Fund made by TNInvetcos for the purpose of offsetting previously authorized investment tax credits. Any reduction to annual qualified distributions will result in extending the term of repayment for TNInvestcos. The net impact to distributions made to the General Fund is zero over time because all investment tax credits authorized are required to be repaid to the General Fund. However, there could be a change to state revenue due to the time value of money. Any such impact would be dependent upon future interest rates during the term of repayment. Such amounts are unknown and cannot be quantified. Also, the delay in repayment to the General Fund will cause a delay in distributions made to the Rural Opportunity Fund for subsequent economic development efforts.**

**Assumptions:**

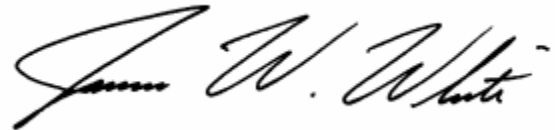
- The Tennessee Small Business Investment Company Credit Act (TSBICCA) authorized \$120,000,000 of investment tax credits to be offset against the gross premiums tax liabilities of certain insurance companies who qualify as participating investors.
- The \$120,000,000 of investment tax credits were to occur over a nine-year period beginning in FY09-10.
- Pursuant to Tenn. Code Ann. § 4-28-109(a)(1), the TSBICCA included a mechanism for TNInvestcos to repay authorized investment tax credits to the General Fund. The Department of Finance and Administration is required to certify that total payments to the General Fund equal the amount of gross premium tax revenue foregone as a result of the authorized investment tax credits. Once repaid, subsequent distributions were to be paid to the Rural Opportunity Fund and used to further the state’s economic development efforts.
- Based on information provided by the Department of Revenue and the Office of the Comptroller, this bill will effectively result in a decline in the annual profit share

percentage paid to the General Fund for offsetting authorized investment tax credits. As a result, additional time will be required for making the state whole. As a result of this delay, there will be a subsequent delay of funds that will be allocated to the Rural Opportunity Fund.

- The net impact of distributions to the General Fund is zero over time because all investment tax credits authorized are required to be repaid. However, there could be an impact to the state due to the time value of money. If interest rates are lower during the extended term of repayment relative to interest rates during the term of repayment under current law, then a reduction of interest earnings would result. If interest rates are higher during the extended term of repayment relative to interest rates during the term of repayment under current law, then an increase of interest earnings would result. Such impact is dependent upon future interest rates during the repayment term and cannot be quantified.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and "W".

James W. White, Executive Director

/rnc